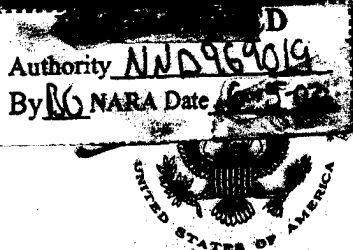


*PET 3 OPEC*  
*XR POL 7 US/NIXON*  
Department of State **TELEGRAM**



*XR PET 6*  
~~SECRET~~ 759

PAGE 01 TEHRAN 03166 281034Z

12 S  
ACTION NEA-12

INFO OCT-01 E-11 SSO-00 NSCE-00 CCO-00 INRE-00 SS-14 NSC-10  
L-03 PRS-01 CIAE-00 INR-06 NSAE-00 RSC-01 OMB-01

RSR-01 /061 W

108220

O 280915Z MAY 72  
FM AMEMBASSY TEHRAN  
TO AMEMBASSY MOSCOW IMMEDIATE  
INFO SECSTATE WASHDC IMMEDIATE 8549

~~SECRET~~ TEHRAN 3166

SUBJECT: PRESIDENT SHAH TALKS

REF: MOSCOW 49961 STATE 094444

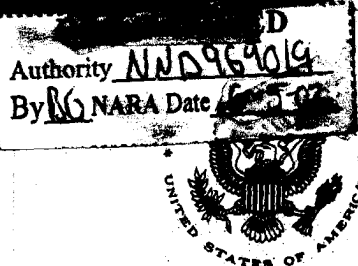
1. INFO CONCERNING CONSORTIUM/SHAH TALKS ESSENTIALLY CURRENT. HOWEVER FOLLOWING SUPPLEMENTS BACKGROUND PAPER IN BRIEFING BOOK. WHILE SHAH WILL LIKELY MENTION MATTER, WE AGREE WITH DEPT'S ESTIMATE THAT THESE NEGOTIATIONS WILL NOT RPT NOT "FIGURE HEAVILY".

2. STATUS OF CONSORTIUM/GOI PARTICIPATION TALKS: IRAN HAS BEEN CAREFUL TO ENSURE THAT THE RESOLUTIONS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) ON PARTICIPATION BY MEMBER COUNTRIES IN PRODUCING COMPANIES OPERATING ON THEIR TERRITORIES GAVE MEMBERS THE CHOICE OF NEGOTIATING WITH THEIR COMPANIES INDIVIDUALLY OR IN GROUPS. FURTHERMORE, THESE RESOLUTIONS, AGAIN AS A RESULT OF IRANIAN DIPLOMACY, DELIBERATELY DO NOT DEFINE "PARTICIPATION" IN ANY WAY. THIS POINT IS VERY IMPORTANT TO THE GOI WHICH RESENTS ARAB ATTEMPTS TO REPRESENT THE 20PC OWNERSHIP FORMULA AS THE AUTHORIZED OPEC STANDARD FOR PARTICIPATION. THE IRANIANS INSIST THAT THEIR APPROACH OF NEGOTIATING FOR SPECIFIC AMOUNTS OF MONEY AND OIL AND FOR EXPANDED FACILITIES MEETS OPEC REQUIREMENTS JUST AS FULLY AS THE ARABS DEMAND FOR A RIGID OWNERSHIP FORMULA. THE GOI CONSIDERS THAT

*Teheran 3166*  
*5/31/72*

(3)

~~SECRET~~  
28



# Department of State **TELEGRAM**

~~SECRET~~

PAGE 02 TEHRAN 03166 281034Z

THIS ARAB DEMAND LEAVES NO ROOM FOR NEGOTIATION, IS TOO EXPENSIVE FOR IRAN SINCE IT WOULD FORCE IRAN TO PUT UP 20PC OF THE CAPITAL FOR THE VERY EXTENSIVE EXPANDING FACILITIES THE CONSORTIUM WILL UNDERTAKE HERE IN THE NEXT FEW YEARS UNDER THE CONSORTIUM AGREEMENT THESE FACILITIES BELONG TO IRAN AS SOON AS COMPLETED IN ANY CASE, AND THAT IT OFFERS NO ASSURANCE OF GREATLY INCREASED OIL INCOME TO IRAN. FINALLY, AND MOST FUNDAMENTALLY, THE PARTICIPATION IRAN SEEKS IS BY ITS NATIONAL OIL COMPANY IN THE INTERNATIONAL OIL INDUSTRY AS A WHOLE WITH THE HELP OF CONSORTIUM MEMBERS. OIL COMPANY REPRESENTATIVES WHO WERE INVOLVED IN THE PARTICIPATION NEGOTIATIONS ON BOTH SIDES OF THE GULF HAVE CONFIRMED TO US THAT THE DIFFERENCES IN IRANIAN AND ARAB ATTITUDES HAS PRODUCED TOUGH BUT AMICABLE AND PROGRESSING NEGOTIATIONS IN IRAN. IN THESE NEGOTIATIONS THE GOI SOUGHT IN PARTICULAR:

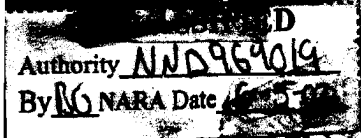
- A. PROVISION OF OIL AT A PREMIUM PRICE TO THE NIOC IN AMOUNTS INCREASING ANNUALLY TO 550,000 BPD BY 1979;
- B. PROVISION OF OIL AT COST TO THE ABADAN REFINERY WHICH WOULD BE GIVEN OVER TO THE NIOC;
- C. A NEW REFINERY FOR EXPORT PRODUCTS;
- D. MUCH EARLIER PARTICIPATION BY NIOC IN MANAGEMENT DECISIONS AND POLICY MAKING.

3. THE MAJOR ISSUES STILL TO BE SETTLED ARE THE PRICE POINTS IN ITEMS ONE AND TWO ABOVE AND THE QUESTION OF SOME POSSIBLE LIMITATIONS ON WHERE NIOC MAY MARKET CONSORTIUM OIL. THE PRICE PROBLEMS MAY WELL BE RESOLVED BY A COMPROMISE PRICE TO APPLY TO BOTH THE ABADAN REFINERY OIL AND THE OIL FOR NIOC MARKETING. AGREEMENT ON THE EXTENT OF NIOC MARKETING OF CONSORTIUM OIL WILL TAKE LONGER SINCE THIS IS A CHANGE FROM THE LONG-STANDING "NO COMPETITION" AGREEMENT BETWEEN THE GOI AND THE CONSORTIUM WHICH SEVERAL OF ITS MEMBERS ARE VERY RELUCTANT TO MAKE. HOWEVER, BOTH SIDES HAVE RECENTLY REAFFIRMED TO US THAT DESPITE THE INTENSITY OF THE

DECLASSIFIED  
PA/HO Department of State  
E.O. 12958, as amended  
June 21, 2006

*Department of State*

**TELEGRAM**



~~SECRET~~

PAGE 03 TEHRAN 03166 281034Z

NEGOTIATIONS AND THE DIFFICULTY OF THESE REMAINING  
ISSUES, THE ATMOSPHERE IS ENTIRELY ONE OF MUTUAL RESPECT  
AND FRIENDLINESS. THE NEXT SESSION IS EXPECTED IN MID-  
JUNE.  
FARLAND

